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RECORDATION NO. 21392 ^{Primary} FILED

MAY 11 '98 11-30AM

OF COUNSEL
URBAN A. LESTER

RECORDATION NO. 21392-A FILED

MAY 11 '98 11-30AM

RECEIVED
SURFACE TRANSPORTATION
BOARD
MAY 11 11 28 AM '98

May 11, 1998

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are three (3) copies of a Security Agreement, dated as of May 7, 1998, a primary document as defined in the Board's Rules for the Recordation of Documents and three (3) copies of the following secondary document related thereto: Schedule No. 0210-001 to Security Agreement.

The names and addresses of the parties to the enclosed documents are:

Borrower: Pioneer Railroad Equipment Co., Ltd.
1318 S. Johanson Road
Peoria, IL 61607

Secured Party: Lyon Credit Corporation
1266 East Main Street
Stanford, CT 06902

A description of the railroad equipment covered by the enclosed documents is:

two hundred seventeen (217) railcars bearing ALAB reporting marks and road numbers set forth on Schedule A attached to Schedule No. 0210-001.

Mr. Vernon A. Williams
May 11, 1998
Page 2

Also enclosed is a check in the amount of \$52.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return two stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. Alvord", written in a cursive style.

Robert W. Alvord

RWA/bg
Enclosures

MAY 11 '98

11-30AM

SECURITY AGREEMENT

Security Agreement No. 21-00062

THIS SECURITY AGREEMENT (the "Security Agreement"), dated as of May 7, 1998 made by and between LYON CREDIT CORPORATION, a corporation organized and existing under the laws of the State of Delaware, with an office address at 1266 East Main Street, Stamford, Connecticut 06902-3546 (together with its successors and assigns, if any, "Secured Party") and Pioneer Railroad Equipment Co., Ltd., a corporation organized and existing under the laws of the State of Iowa with its residence, mailing address and principal place of business at 1318 S. Johanson Road, Peoria, IL 61607 ("Borrower");

WITNESSETH:

1. **GRANT OF SECURITY INTEREST:** To secure payment on each Note made by Borrower in the form attached hereto as Exhibit "A" together with any extensions or renewals thereof, and any amendments or modifications thereto (each, a "Note", and collectively, the "Notes"), and also to secure any other indebtedness, obligation, or liability of the Borrower to the Secured Party, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising and no matter how acquired by Secured Party, including, but not limited to, all future advances or loans which may be made at the option of the Secured Party to or on behalf of Borrower (all the foregoing hereinafter called the "Indebtedness"), Borrower hereby grants and conveys to the Secured Party a first security interest in, and mortgages to the Secured Party, each unit of property (such unit, an "Item") described in a Schedule in the form attached hereto as Exhibit "B" (a "Schedule") and accepted by Borrower in any Delivery and Acceptance Certificate in the form attached to such Schedule (a "Certificate"), all products and proceeds thereof, if any, all additions, attachments, accessories and accessions thereto and any and all substitutions, replacements or exchanges thereto, and any and all insurance and/or other proceeds thereof, including, but not limited to, every permitted lease or sublease, howsoever designated, covering all or any part thereof (all or any of the foregoing hereinafter collectively called the "Collateral").

TO HAVE AND TO HOLD the Collateral with the power and authority and subject to the terms and conditions set forth in this Security Agreement.

2. **REPAYMENT:** Borrower will duly and punctually pay the Indebtedness secured by this Security Agreement in accordance with the terms of the Notes and this Security Agreement. Payments of Indebtedness shall be made to Secured Party at its office address stated above, except as otherwise directed by Secured Party, and shall not be prorated for any cause or reason except as herein may be specifically provided. In no event shall any payments be refunded to Borrower. Payments shall be due periodically as specified in the applicable Note, except that in the event any month in which a payment is due does not contain a numbered day equal to such payment day specified, payment shall be made on the last day of such month. If any payment is not made within ten (10) days after due date, Borrower agrees to pay a late charge of five cents (5¢) per dollar on, and in addition to, the amount of such payment, but not exceeding the lawful maximum, if any.

3. **OBLIGATIONS ABSOLUTE:** The obligations of Borrower under this Security Agreement shall be absolute and unconditional under all circumstances whatsoever, including, but not limited to, the existence of any claim, set-off, defense, counterclaim or recoupment to any present or future claim of Borrower against Secured Party under this Security Agreement or otherwise, against the manufacturer or

seller of any of the Collateral or against any other person or entity for whatever reason. This Security Agreement shall not terminate, nor shall the obligations of Borrower be affected, by reason of any defect in title to, damage to or any loss or destruction of, the Collateral from whatsoever cause, or the interference with the use thereof by any person or entity, or the invalidity or unenforceability or lack of due authorization in respect of this Security Agreement or any lack of right, power or authority of the Secured Party to enter into this Security Agreement, or any failure of Secured Party to perform any obligation of Secured Party or Borrower or any other person or entity under this Security Agreement or any instrument or document executed in connection herewith, or for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding, it being the express intention of Secured Party and Borrower that all payments by Borrower shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Security Agreement.

4. REPRESENTATIONS AND WARRANTIES: Borrower represents and warrants as of the date of this Security Agreement that:

- a) Borrower is a corporation duly organized and validly existing in good standing under the laws of its state of organization and has the Corporate power to enter into and perform its obligations under this Security Agreement,
- b) this Security Agreement has been duly authorized, executed and delivered by Borrower and, assuming due authorization, execution and delivery by Secured Party, is a legal, valid and binding obligation of Borrower, enforceable in accordance with its terms except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally, and general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law,
- c) the execution and delivery by Borrower of this Security Agreement is not, and the performance by it of its obligations hereunder will not be, inconsistent with Borrower's articles or certificate of incorporation or by-laws, do not and will not contravene any law, governmental rule or regulation, judgment or order applicable to Borrower, and do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument to which Borrower is a party or by which it is bound,
- d) no consent or approval of, giving of notice to, registration with, or taking of any other action in respect to or by, any federal, state or local governmental authority or agency or other entity is required with respect to the execution, delivery and performance by Borrower of this Security Agreement, or if any such approval, notice, registration or action is required, it has been duly given or obtained,
- e) there are no suits or proceedings pending or threatened in court or before any commission, board or other administrative agency against or affecting Borrower, which will have a material adverse effect on the ability of Borrower to fulfill its obligations under this Security Agreement,
- f) each financial statement and other related information furnished to Secured Party by Borrower has been prepared in accordance with generally accepted accounting principles and, since the date of the most recent financial statement so delivered, there has been no material adverse change (as that term is defined in paragraph 12 (k) below),
- g) this Security Agreement shall be effective against all creditors of Borrower under applicable law, including, without limitations, fraudulent conveyance and bulk transfer laws, and
- h) the Collateral will at all times be used solely in the conduct of the business of Borrower and be and remain in the possession and control of Borrower.

5. **LIENS:** Borrower is the lawful owner of the Collateral. Borrower shall keep the Collateral free and clear from all liens, charges, encumbrances and security interests of any kind ("Liens") , except for

- (i) the Lien of Secured Party, as provided in this Security Agreement,
- (ii) Liens for taxes either not yet due or being contested by Borrower in good faith with due diligence and by appropriate proceedings, so long as such proceedings do not, in the opinion of Secured Party, involve any material danger of sale, forfeiture or loss of Collateral or any part thereof or title thereto or interest therein,
- (iii) inchoate materialmen's, mechanics', workmen's, repairmen's, employees', carriers', warehousemen's or other like Liens arising in the ordinary course of business of Borrower and not delinquent and Borrower shall be maintaining adequate reserves therefor. Secured Party shall, at its own cost and expense, promptly take such action as may be necessary to discharge duly all Secured Party's Liens upon full payment and satisfaction of all Indebtedness.

6. **USE AND OPERATION:**

- (a) Borrower shall not assign, sublet, mortgage, hypothecate or alter any of the Collateral or any interest in this Security Agreement, nor shall Borrower remove any of the Collateral from the specified place of Collateral location, without the prior written consent of Secured Party, and any attempt so to assign, sublet, mortgage, hypothecate, alter or remove any of the Collateral without the prior written consent of the Secured Party shall be void and without effect.
- (b) Borrower will not, without the prior written consent of Secured Party, affix or install any accessory, equipment, or device on any Collateral if such addition will impair the originally intended function or use of any such Collateral or its value in place. Borrower agrees that each Item of Collateral shall prior to its installation be personal property under applicable law. Borrower agrees to take such action as shall be required by Secured Party from time to time to protect the rights and interests of Secured Party in each such Item. Borrower will not, without the prior written consent of Secured Party and subject to such conditions as Secured Party may impose for its protection, affix or install any Collateral to or in any other personal property. Secured Party and Borrower agree that each Item of Collateral and every part thereof is severed from any real property and, even if physically attached to any real property, it is the intention of Secured Party and Borrower that such Item
 - (i) shall retain the character of personal property,
 - (ii) shall be removable,
 - (iii) shall be treated as personal property with respect to the rights of all persons and entities,
 - (iv) shall not become part of any real property, and
 - (v) by virtue of its nature as personal property, shall not be affected in any way by any instrument dealing with any real property.

Borrower represents that it has not entered into, and agrees that it will not enter into, any agreement or other arrangement which prohibits or restricts in any manner the right of Secured Party or Borrower to sever Items of Collateral from the real property on which they are located, to sever Items of Collateral from any other equipment or personal property to which such Items are attached or to remove Items of Collateral from the place where they are then located.

7. MAINTENANCE AND SERVICE:

(a) Items of Collateral shall be used only in the manner for which they were designed and intended and Borrower will at its sole expense at all times maintain Collateral in good operating order, repair, condition and appearance and keep Collateral protected from the elements, ordinary wear and tear excepted. Borrower shall, if at any time requested to do so by Secured Party, affix in a prominent position on each Item of Collateral plates, tags or other identifying labels showing the interest of Secured Party in the Collateral. Borrower will, at all times, operate and maintain each Item of Collateral in accordance with

(i) the standards applied by Borrower with respect to similar equipment owned or leased by it and

(ii) prudent operating and maintenance standards and manufacturer's requirements. Borrower will not use or operate any Item of Collateral in violation of applicable laws and regulations (including all applicable environmental and occupational safety laws).

(b) Any alterations or modifications with respect to Collateral that may at any time prior to full repayment of the Indebtedness secured hereby be required to comply with any applicable law or any governmental rule or regulation shall be made by Borrower as required and at the sole expense of Borrower.

8. REPORTS:

(i) Borrower agrees that Secured Party shall not be responsible for any loss or damage to Borrower, its customers or any other third parties caused by the Collateral, any failure thereof or defect therein, or otherwise. Nevertheless, Borrower will immediately notify Secured Party of each accident arising out of any alleged or apparent improper manufacturing, functioning or operation of any Collateral, the time, place and nature of the accident and damage, the names and addresses of parties involved, persons injured, witnesses and owners of property damaged, and such other information as may be known, and promptly advise Secured Party of all correspondence, papers, notices and documents whatsoever received by Borrower in connection with any claim or demand involving or relating to improper manufacturing, operation or functioning of any Collateral or charging Secured Party with liability;

(ii) Borrower will notify Secured Party in writing within ten (10) days after any day in which any Lien shall attach to any Collateral not expressly permitted hereby of the full particulars thereof and of the then location of such Collateral on such day;

(iii) Borrower will notify Secured Party forthwith in writing of the location of any Collateral moved by Borrower from the place where delivered to Borrower or from the location specified in this Security Agreement or any subsequent agreement executed by the parties and Borrower will not change or discontinue its place or places of business and/or residence and/or name;

(iv) Borrower will within ninety (90) days of the close of each of its fiscal years deliver to Secured Party Borrower's balance sheet and profit and loss statement prepared in accordance with generally accepted accounting principles and, to the extent available, certified to by a recognized firm of certified public accountants. Borrower will deliver to Secured Party, within sixty (60) days of the close of each of its fiscal quarters, Borrower's quarterly financial report (which shall be in reasonable detail) prepared in accordance with generally accepted accounting principles and certified to by the chief financial officer of Borrower; and

- (v) Borrower will permit Secured Party to inspect and examine Collateral at such times and from time to time during normal business hours as Secured Party may wish (and at such other times as may be mutually agreeable) and without any requirement for advance notice, provided that such examination and inspection shall not unreasonably interfere with Borrower's normal business operations.

9. RISK OF LOSS:

- a) Borrower is solely responsible for the entire risk of use and operation, and for each and every cause or hazard, and all loss and damage to any and all Collateral whether arising through operation or otherwise. In the event of damage to any Item of Collateral, Borrower, at its cost and expense, shall promptly repair the Item, restoring it to its previous condition or the condition in which it was required to be assuming Borrower had met all its obligations for maintenance of the Collateral. Upon the occurrence of an Event of Loss (defined below) with respect to any Item, Borrower shall prepay to Secured Party an amount of Indebtedness under the Note relating to the Schedule hereto in which such Item is described equal to the sum of
 - (i) all interest theretofore accruing, and unpaid thereon, with respect to such Item, plus
 - (ii) the unpaid principal balance of the Note with respect such item, plus
 - (iii) an amount equal to two (2%) percent of the unpaid principal balance of the Note with respect to such Item.

Provided Borrower is not in breach or default of this Security Agreement, any proceeds of insurance received by Secured Party with respect to any such loss shall be paid to Borrower to the extent necessary to reimburse Borrower costs incurred and paid by Borrower in repairing damaged Equipment or as a credit against total amount payable by Borrower with respect to the Collateral involved, as the case may be, all as provided in this Security Agreement.

- b) For the Purpose hereof "Event of Loss" shall mean, with respect to any Item of Collateral, if such Item is
 - (i) destroyed, condemned, irreparably damaged or damaged beyond economic repair,
 - (ii) requisitioned for use by a governmental entity for an indefinite period or stated period extending beyond a period in excess of ninety (90) consecutive days or the final installment payment date stated on the applicable Note, whichever is earlier,
 - (iii) the subject of an insurance settlement with respect to such Item of Collateral on the basis of a constructive total loss,
 - (iv) stolen or lost and not recovered within thirty (30) days,
 - (v) the subject of a condemnation or requisition of title by a governmental entity, or
 - (vi) prohibited by applicable law from being used by Borrower for a period of ninety (90) consecutive days or the final installment payment date on the applicable Note, whichever is earlier.

10. INSURANCE:

- (a) Borrower, at its own cost and expense shall obtain, maintain and shall keep the Collateral insured against all risks of loss or damage from every cause whatsoever in an amount not less than the greater of actual cash value or the aggregate amount of all unpaid Indebtedness as at any time, without deductible and without co-insurance (except as Secured Party may approve in writing). Borrower shall also obtain and maintain, until repayment in full of the Indebtedness public liability insurance covering liability for bodily injury, including death, and property damage resulting from the purchase, ownership, leasing, maintenance, use or

operation of the Collateral in an amount of at least \$1,000,000 [*with respect to each separate Schedule hereto*], or in such greater amounts as Secured Party may from time to time require. Secured Party shall be the sole named loss-payee with respect to damage or loss to the Collateral and shall be a named additional insured on the public liability insurance. All insurance shall be with insurers and in form satisfactory to Secured Party; shall provide for at least thirty (30) days advance written notice to Secured Party before any cancellation or material modification thereof; shall waive any claim for premium against Secured Party; and shall not be invalidated or the insurer's liability to or for or on behalf of Secured Party be diminished or affected by any breach of warranty or representation or other act or omission of the Borrower. Borrower shall deliver to Secured Party the original policy or policies of insurance, certificates of insurance or other evidence satisfactory to Secured Party evidencing the insurance required hereby along with proof satisfactory to Secured Party of the payment of the premium therefor. Secured Party may, at its option, apply proceeds of insurance, in whole or in part, to (A) repair or replace Collateral or any portion thereof, or (B) satisfy any obligation of Borrower to Secured Party hereunder.

- (b) Secured Party is authorized, but under no duty, to obtain such insurance upon failure of the Borrower to do so. Borrower shall give immediate written notice to the Secured Party and to insurers of loss or damage to the Collateral and shall promptly file proofs of loss with insurers. Borrower hereby irrevocably appoints the Secured Party as attorney-in-fact, coupled with an interest, for the Borrower in obtaining, adjusting and canceling any such insurance and endorsing settlement drafts and hereby assigns to the Secured Party all sums which may become payable under such insurance, including return premiums and dividends, as additional security for the Indebtedness.

11. INDEMNIFICATION: Borrower hereby agrees to indemnify, save and keep harmless Secured Party, its agents, employees, successors and assigns, from and against any and all losses, damages (including indirect, special or consequential), penalties, injuries, claims, actions and suits including, without limitation, legal expenses, of whatsoever kind and nature (including, without limitation, costs and expenses incurred by Secured Party in defending claims or suits brought against it by Borrower in violation of or contrary to the provisions of this Security Agreement), in contract or tort, including, but in no way limited to, Secured Party's strict liability in tort, unless and except to the extent Secured Party's gross negligence or willful misconduct is the proximate cause of any such loss, damage, penalty, injury claim, action, or suit, and Borrower shall at its own expense defend any and all such actions, arising out of the selection, modification, purchase, ownership, acceptance or rejection of any Item of Collateral and the delivery, possession, maintenance, use, condition (including, without limitation, latent and other defects, whether or not discoverable by Secured Party or Borrower, and any claim for patent, trademark or copyright infringement), or operation of any Item of Collateral by whomsoever used or operated or arising out of or resulting from the condition of any Item of Collateral sold or disposed of after use by Borrower, any lessee, sublessee or employees of Borrower. The indemnities and assumptions of liability herein provided for shall continue in full force and effect notwithstanding the termination of this Security Agreement whether by expiration of time, operation of law or otherwise. **BORROWER AGREES THAT SECURED PARTY SHALL NOT BE LIABLE TO BORROWER FOR ANY CLAIM CAUSED DIRECTLY OR INDIRECTLY BY THE INADEQUACY OF ANY ITEM OF COLLATERAL FOR ANY PURPOSE OR ANY DEFICIENCY OR DEFECT THEREIN OR THE USE OR MAINTENANCE THEREOF OR ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO OR ANY DELAY IN PROVIDING OR FAILURE TO PROVIDE ANY THEREOF OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF OR ANY LOSS OF BUSINESS, ALL OF WHICH SHALL BE THE SOLE RISK AND RESPONSIBILITY OF BORROWER.**

12. DEFAULT; REMEDIES: If any of the following (herein an "Event of Default") shall occur:

- (a) Borrower shall default in the payment of Indebtedness to Secured Party or in making any other payment hereunder or under any Note when due, and such default shall continue for a period of ten (10) days without its cure by Borrower, or
- (b) Borrower shall default in the payment when due of any obligations of Borrower, whether or not to Secured Party, arising independently of this Security Agreement or any Note, and such default shall continue for a period of ten (10) days without its cure by Borrower, or
- (c) Borrower shall default in the performance of any other covenant contained herein (including any Schedule hereto), any Certificate in respect hereof or any Note or any other document entered into in connection with this Security Agreement and such default shall continue for five (5) days after written notice thereof to Borrower by Secured Party, or
- (d) Borrower shall breach any of its insurance obligations under paragraph 10 hereof,
- (e) any representation or warranty made by Borrower in this Security Agreement or any other documents entered into in connection with this Security Agreement shall prove to be incorrect in any material respect when any such representation or warranty was made or given, or
- (f) Borrower shall become insolvent or make an assignment for the benefit of creditors, or
- (g) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator for a substantial part of its property or such receiver, trustee or liquidator is appointed without the application or consent of Borrower, or
- (h) a petition shall be filed by or against Borrower under the Federal bankruptcy laws (including, without limitation, a petition for reorganization, arrangement or extension) or under any other insolvency law or law providing for the relief of debtors, or
- (i) Secured Party shall deem the Collateral or the Indebtedness insecure, or
- (j) there is, without the prior consent of Secured Party, a change in control (defined to be a change in the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of Borrower, whether through the ownership of voting securities, by contract or otherwise), or
- (k) there is a material adverse change (defined to be a decrease of at least one-third ($\frac{1}{3}$) of net worth, as determined in accordance with generally accepted accounting principles) in Borrower's or any guarantor's financial condition;

then, to the extent permitted by applicable law, Secured Party shall have the right to exercise any one or more of the following remedies one or more times:

- A) declare this Security Agreement in default, such declaration being applicable to all Schedules hereunder except as specifically excepted by Secured Party;
- B) declare the entire amount of unpaid total Indebtedness immediately due and payable;
- C) declare due and payable in addition to any unpaid Indebtedness due on or before Secured Party declares this Security Agreement in default, as liquidated damages for loss of a bargain and not as a penalty, an amount calculated in accordance with the provisions of paragraph 9 as though the Collateral had suffered an Event of Loss, as of the date that Secured Party declares this Security Agreement in default;
- D) declare due and payable the amount of any indemnification hereunder if then determinable, with interest as provided herein;

- E) upon notice to any lessees or sublessees permitted pursuant to paragraph 6(a) to obtain and retain all rentals thereafter due, paid and/or payable;
- F) without demand or legal process enter into premises where the Collateral may be found and take possession of and remove the same, whereupon all rights of Borrower in the Collateral shall terminate absolutely, and either
 - (i) retain all prior payments of Indebtedness and sell the Collateral at public or private sale, with or without notice to Borrower, with or without having the Collateral at the sale, at which sale Secured Party may purchase all or any of the Collateral, the proceeds of such sale, less expenses of retaking, storage, repairing and reselling, and reasonable attorneys' fees incurred by Secured Party, to be applied to the payment of the unpaid total Indebtedness, Borrower remaining liable for the balance of said unpaid total Indebtedness, and any surplus thereafter remaining to be for the account of Borrower (except as otherwise provided under applicable law) or
 - (ii) retain the Collateral and all prior payments of Indebtedness, in satisfaction of the remaining unpaid Indebtedness;
- G. pursue any other remedy then available to Secured Party at law or in equity. Borrower hereby covenants and agrees to notify Secured Party immediately of the occurrence of any default specified in this paragraph 12.

13. REMEDIES CUMULATIVE: Time of performance of Borrower's obligations hereunder is of the essence. All remedies of Secured Party hereunder are cumulative, and may, to the extent permitted by law, be exercised concurrently or separately, and the exercise of any one remedy shall not be deemed to be an election of such remedy to the exclusion of any other remedy or to preclude the exercise of any other remedy at any other time. Failure on the part of the Secured Party to exercise, or delay in exercising, any right or remedy hereunder or Secured Party's failure at any time to restrict performance by Borrower of any of the provisions hereof shall not operate as a waiver thereof; nor shall any single or partial exercise by Secured Party of any right or remedy hereunder preclude any other further exercise thereof or the exercise of any other right or remedy.

14. ASSIGNMENT: Borrower acknowledges, and understands that Secured Party may assign this Security Agreement, any Schedule or Certificate or any Note to a bank or any other lending institution or any other person, organization or agency, and Borrower shall

- (a) recognize any such assignment,
- (b) accept the lawful demands of such assignee,
- (c) surrender assigned Collateral only to such assignee,
- (d) pay all Indebtedness payable hereunder and do any and all things required of Borrower hereunder, notwithstanding any default of the Secured Party or the existence of any claim, defense or offset between Borrower and Secured Party, and
- (e) not require any assignee of the Security Agreement to perform any duty, covenant or condition required to be performed by Secured Party under the terms of this Security Agreement provided that Secured Party shall remain liable for such performance. The obligations of Borrower shall not be subject, as against any such assignee or transferee, to any defense, set-off or counterclaim available to Borrower against Secured Party and any such defense, set-off or counterclaim may be asserted only against Secured Party.

15. FILINGS: Borrower agrees to execute any instrument or instruments necessary or expedient for filing, recording, perfecting, or notifying of the interest of Secured Party upon request of, and as determined by, Secured Party. Borrower hereby specifically authorizes Secured Party to file financing statements not signed by Borrower or to execute same for and on behalf of Borrower as Borrower's attorney-in-fact, irrevocably and coupled with an interest, for such purposes. A carbon, photographic or other reproduction of the Security Agreement or a financing statement shall be sufficient as a financing statement for filing purposes.

16. NOTES:

- (a) Upon written notice by Secured Party to Borrower that Secured Party intends to transfer any Note, Borrower shall, in exchange for the Note to be transferred, promptly execute a new note in the amount of the exchanged Note, naming the transferee as payee thereunder, and deliver to same to such transferee.
- (b) If any Note shall become mutilated or shall be destroyed, lost or stolen, Borrower shall, upon the written request of payee under of such Note, execute and deliver in replacement thereof, the new Note payable in the same amount and dated the same date as the Note so mutilated, destroyed, lost or stolen.

17. MISCELLANEOUS:

- (a) In case of failure of Borrower to comply with any provision of this Security Agreement, Secured Party shall have the right, but shall not be obligated, to effect such compliance in whole or in part, and all moneys spent and expenses and obligations incurred or assumed by Secured Party in effecting such compliance (including but not limited to, attorneys' fees and costs incurred in attempting to effect compliance against Borrower and/or others) shall constitute additional Indebtedness hereby secured due to Secured Party five (5) days after the date Secured Party sends notice to Borrower requesting payment. Secured Party's effecting such compliance shall not be waiver of Borrower's default. Interest on any payments made by Secured Party hereunder on amounts due after Secured Party declares default under paragraph 12 and interest on any overdue payment under paragraph 11 shall be at the default rate prescribed in the Note, (or, if there is more than one Note, at the highest among the default rates prescribed in such Notes), but not to exceed the maximum lawful rate. Any provisions in this Security Agreement, any Schedule hereto or Certificate in respect hereof which are in conflict with any statute, law or rule applicable shall be deemed omitted, modified or altered to conform thereto.
- (b) If any provision of this Security Agreement shall contravene or be invalid under applicable law or regulation (including federal law and regulation), such contravention or invalidity shall not affect the entire Security Agreement, the provisions held to be invalid to be deemed deleted or modified and the Security Agreement interpreted and construed as though such invalid provision or provisions were not part hereof or conformed thereto.
- (c) Secured Party may give notice to Borrower or make a request of Borrower by depositing such notice or request in the U.S. mail, first class postage prepaid, addressed to the Borrower at its address above, an address furnished by Borrower to Secured Party, a mailing address of Borrower or a place of business of Borrower. All notices required to be given by Borrower hereunder shall be deemed adequately given if sent by registered or certified mail to Secured Party at the address of Secured Party stated herein, or at such other place as Secured Party may designate to Borrower in writing.
- (d) This Security Agreement, any addendum hereto attached and signed by Secured Party and Borrower, any Schedule hereto and any Certificate in respect hereof, constitute the entire

agreement of the parties with respect to the subject matter hereof. **THIS SECURITY AGREEMENT, ANY VARIATION OR MODIFICATION OF THIS SECURITY AGREEMENT, ANY WAIVER OF ANY OF ITS PROVISIONS OR CONDITIONS AND ALL SCHEDULES SHALL NOT BE VALID UNLESS IN WRITING AND SIGNED BY AN AUTHORIZED OFFICER OR MANAGER OF SECURED PARTY.**

- (e) BORROWER WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY LITIGATION ARISING HEREFROM OR IN RELATION HERETO
- (f) THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CONNECTICUT, WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES
- (g) BORROWER SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY NOTE, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NONEXCLUSIVE GENERAL JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN THE STATE OF CONNECTICUT AND APPELLATE COURTS FROM ANY THEREOF; CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME; AND AGREES THAT SERVICE MAY BE MADE ON BORROWER IN ANY SUCH PROCEEDING BY DELIVERING A COPY OF PROCESS TO BORROWER AT BORROWER'S ABOVE ADDRESS, SUCH SERVICE TO BE EFFECTIVE UPON RECEIPT.

(This space left intentionally blank)

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement as of the date first above written.

Pioneer Railroad Equipment Co., Ltd.
as Borrower

By: J. Michael Carr - CFO 5-7-98

Name: J. Michael Carr

Title: CFO - Treasurer

Affix Corporate Seal here

Attest/Witness:

By: Kevin L. Williams

Name: KEVIN L. WILLIAMS

Title: Asst. Secretary

LYON CREDIT CORPORATION
as Secured Party

By: Michael J. Carlson

Name: MICHAEL J. CARLSON

Title: AVP

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District of Columbia)
)
City of Washington) ss:

I, KIM L. BARTMAN, Notary for the District of Columbia, hereby certify that the attached "Security Agreement", dated as of May 7, 1998, between Lyon Credit Corporation, as Secured Party, and Pioneer Railroad Equipment Co., as Borrower, is a true and complete copy of the original thereof.

Certified this 11th day of May, 1998.



NOTARY PUBLIC

My commission expires: 3-31-2000

ADDENDUM TO SECURITY AGREEMENT

This Addendum to Security Agreement (this "Addendum") No. 21-00062 is entered into this 7 day of May, 1998 by and between Lyon Credit Corporation, a Delaware corporation, (Secured Party) and Pioneer Railroad Equipment Co., Ltd., an Iowa corporation, (Borrower).

Secured Party and Borrower hereby agree to amend the herein identified paragraphs and sentences of the Security Agreement as follows:

1. Page 2, paragraph 4. REPRESENTATIONS AND WARRANTIES:

sub-paragraph h) "the Collateral will at all times be used solely in the conduct of the business of Borrower and be and remain in the possession and control of the Borrower." is amended to read "the Collateral will at all times be used solely in the conduct of the business of Borrower and be and remain in the possession, except when in a line haul carriers' possession carrying freight under contract, and control of the Borrower."

2. Page 3, paragraph 6. USE AND OPERATION:

sub-paragraph (a): "Borrower shall not assign, sublet, mortgage, hypothecate..." is amended to read "Borrower shall not assign or sublet in the normal, ordinary course of Borrower's business as a railroad, except as may be necessary when assigned or sublet to a line haul carrier in the normal, ordinary course of Borrower's business as a railroad, mortgage, hypothecate..."

sub-paragraph (a) continued: ", nor shall Borrower remove any of the Collateral from the specified place of collateral location," is amended to read "nor shall Borrower remove any of the Collateral from North America, without..."

3. Page 4, paragraph 7. MAINTENANCE AND SERVICE:

sub-paragraph (a) Items of Collateral...~~delete~~ the phrase "and keep Collateral protected from the elements"...; and amend "if at any time requested" to "if, in the Event of Default, at any time requested...".

4. Page 4, paragraph 8. REPORTS:

sub-paragraph (iv) "Borrower will within ninety (90) days of the close of each of its fiscal years..." be amended to read "Borrower will within one hundred (100) days of the close of each of its fiscal years..."

5. Page 5, paragraph 9. RISK OF LOSS:

sub-paragraph (iii) is ~~deleted~~.

6. Page 5, paragraph 10. INSURANCE:

Add to sub-paragraph (a) "Notwithstanding anything to the contrary in this Paragraph 10 (a) or Paragraph 10 (b), Secured Party acknowledges that Borrower self insures as to property damage (to the extent Borrower retains funds in a separate account or trust in connection with its self insurance, the rights of Secured Party hereunder as to casualty and property insurance shall be applicable to the self insurance funds held by Borrower)."

sub-paragraph (b) Amend first sentence as follows: "Secured Party is authorized, but under no duty, to obtain general liability insurance upon failure of the Borrower to do so."

7. Page 7, paragraph 12. DEFAULT; REMEDIES: "If any of the following (herein an "Event of Default") shall occur:: shall be amended to "It shall be an "Event of Default" hereunder if any of the following (a) through (d) shall occur and remain uncured for a period of ten (10) days after written notice of such default has been sent by Secured Party, but it shall be an Event of Default hereunder if any of the following (e) through (k) occur without notice or opportunity to cure:"

8. Page 7, paragraph 12. DEFAULTS; REMEDIES:

sub-paragraph (a) and (b) "and such default shall continue for a period of ten (10) days without its cure by Borrower," shall be ~~deleted~~ in favor of the amendment referenced in item 6 above.

ADDENDUM TO SECURITY AGREEMENT

sub-paragraph (c) "and such default shall continue for five (5) days after written notice thereof to Borrower by Secured Party," shall be **deleted** in favor of the amendment referenced in item 6 above.

sub-paragraph (b) "Borrower shall default in the payment when due of any obligations of Borrower, whether or not to Secured Party,....." shall be amended to read "Borrower shall default in the payment when due of any obligation of the Borrower to Secured Party,...."

sub-paragraph (i) "Secured Party shall deem the Collateral or the Indebtedness insecure" is hereby **deleted**.

9. Page 8, paragraph 12. DEFAULTS; REMEDIES:

sub-paragraph F) "without demand or legal process enter into premises where the Collateral may be found and take possession of and remove the same, whereupon all rights of Borrower in the Collateral shall terminate absolutely," and replace with the following:

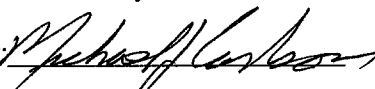
"Without demand or legal process, Secured Party or its designee, may enter into premises where Collateral may be found and take possession of all or any of the Collateral and exclude from Borrower and all others claiming under Borrower, and thereafter hold, store, use, operate, manage, maintain, and control, make repairs, replacements, alterations, additions, and improvements to and exercise all rights and powers of Borrower in respect to the Collateral or any part thereof. In the event Secured Party demands, or attempts to take possession of the Collateral in the exercise of any rights under this Promissory Note and Security Agreement, Borrower promises and agrees to promptly turnover and deliver complete possession thereof to Secured Party; and may require Borrower to assemble the Collateral, or any portion thereof, at a place designated by Secured Party and reasonably convenient to both parties, and promptly deliver such Collateral to Secured Party, or an agent or representative designated by it;"

10. Page 10, paragraph 17. MISCELLANEOUS:

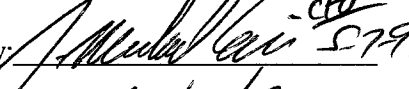
sub-paragraph (e) is hereby **deleted**.

Except as specifically modified herein, the Security Agreement and all other Loan Documents (heretofore amended) remain unmodified and in full force and effect.

LYON CREDIT CORPORATION
as Secured Party

By: 
Name: MICHAEL J. CARLSON
Title: AVP

Pioneer Railroad Equipment Co., Ltd.
As Borrower

By:  - CFO 5798
Name: J. Michael Carr
Title: CFO - Treasurer